

**IRS****News Release****Media Relations Office****Alabama-Tennessee Territory****Tel. 615.250.5951****For Release: 8/14/02****Release No: NAS-02-46****IRS ISSUES ADVISORY ON TAX TREATMENT OF MEMPHIS  
AIRPORT AUTHORITY PAYMENTS**

MEMPHIS – The Internal Revenue Service recently issued advice clarifying the tax treatment of payments made by the Memphis Shelby County Airport Authority during 2001 in connection with the settlement of an airport noise class action lawsuit. Two classes of payment, easement rights and special award payments, were made in settlement of the suit and are handled differently for tax purposes.

Payments received for the settlement of easement rights, minus legal fee deductions, are subtracted from the basis of the owner's property. (Most recipients will subtract from the basis the dollar amount of the payment actually received.) As long as the amount received did not exceed the owner's basis in the affected property, there is no taxable gain to report. Payments received under these circumstances can affect the calculation of gain when the property is later sold. For more information on the tax treatment of easement payments, refer to Publication 544, *Sales and Other Dispositions of Assets*, available from the Internal Revenue Service.

Special award payments, paid to certain individuals who were actively involved in the prosecution of the class action, are considered payment for services rendered and are includible in gross taxable income.

Taxpayers who received nontaxable payments and requested an extension of time to file while awaiting reporting guidance, may file their returns without reporting the easement settlement. Those taxpayers who have already filed their return and included the easement settlement in taxable income should file an amended return using Form 1040X, *Amended U.S. Individual Income Tax Return*, in order to determine if a refund of any overpaid taxes, plus interest, is due.

Details regarding the tax treatment of these specific payments from the Memphis Airport Authority are posted on the IRS Web site ([www.irs.gov](http://www.irs.gov)) on the Tax Professionals' page in the Tax Practitioners' Corner.

IRS forms and publications are available on the IRS web site or by calling the IRS toll-free at 1-800-829-3676. General taxpayer assistance is available by calling the IRS toll-free at 1-800-829-1040 weekdays from 7 a.m. to 10 p.m. Tax forms and limited assistance are available at the IRS office at 22 North Front Street in Memphis weekdays from 8 a.m. to 4:30 p.m. (Wed. 8:30 a.m. – 4:30 p.m.).

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